

## CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 5291  
**COMPANY NAME** : HPMT HOLDINGS BERHAD  
**FINANCIAL YEAR** : December 31, 2023

### OUTLINE:

#### **SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE**

*Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.*

#### **SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA**

*Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.*

## SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

*Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.*

### Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.1

The board should set the company's strategic aims, ensure that the necessary resources are in place for the company to meet its objectives and review management performance. The board should set the company's values and standards, and ensure that its obligations to its shareholders and other stakeholders are understood and met.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board is responsible for the overall corporate governance of the Group, its strategic direction, overseeing the conduct of the Group's business to evaluate whether the business is being properly managed, identifying principal risks and ensuring the implementation of appropriate systems to manage these risks, ensuring proper succession planning and effective shareholders communication policy, ensuring the integrity of the Group's financial and non-financial reporting and reviewing the adequacy and the integrity of the Group's internal control systems.</p> <p>The Board recognises the following specific roles and responsibilities: -</p> <ul style="list-style-type: none"> <li>(a) Establishing and reviewing the strategic direction and plans of the Group.</li> <li>(b) Monitoring the implementation of strategic plans by Management.</li> <li>(c) Timely review and approve all quarterly and annually financial statements for announcement to the Bursa and stakeholders. The Audit and Risk Management Committee reviews and recommends the financial statements prior to presentation to the Board.</li> <li>(d) Overseeing and evaluating the conduct of the businesses of the Group.</li> <li>(e) Identifying and evaluating business risks and ensure implementation of a managed sound risk management framework.</li> <li>(f) Reviewing the adequacy and integrity of the internal control system and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.</li> <li>(g) Ensure establishment of succession plans for the Board members and senior management.</li> </ul> <p>The Board had approved and adopted the Board Charter to ensure the same are in line with the Corporate Governance practices as stated in the Malaysian Code on Corporate Governance ("MCCG"). The Board Charter serve as reference and guide for Directors in discharging their</p>

	<p>responsibilities for the Company which is made available on Company's website at <a href="http://www.hpmt-industries.com">www.hpmt-industries.com</a> .</p> <p>The Nomination and Remuneration Committee (“<b>NRC</b>”) is responsible for making recommendations for the appointment of Directors to the Board, including those of subsidiaries. In making these recommendations, the NRC considers the criteria such as the required mix of skills, experience and knowledge, which the Directors bring to the Board. In addition, the Board has on 27 May 2022 adopted a Directors' Fit and Proper Policy, which serves as a guide for the NRC and the Board in their review and assessment of candidates to be appointed as Directors.</p>	
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.2

A Chairman of the board who is responsible for instilling good corporate governance practices, leadership and effectiveness of the board is appointed.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Chairman of the Board, Dato' Khoo Ah Chye who provides effective leadership role to the Board and steers the Board to be fully committed to maintain high standard of corporate governance whilst pursuing its corporate objectives in enhancing shareholders' values and competitiveness.</p> <p>As one of the pioneer members of the Group, the Chairman is able to guide the vision, strategic direction and business development of the Group, and at the same time be guided by the independent advice and views from the Independent Directors, who offer the necessary checks and balances in the decision-making process of the Board.</p> <p>The Chairman presides over board meetings and instils good governance practices by ensuring that all directors' views are heard, sufficient time for discussion of each agenda, and fair opportunity is provided to all directors to participate actively and constructively during the meetings and discussions.</p> <p>Details of the responsibilities of the Chairman are set out in the Board Charter of the Company.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

**Practice 1.3**

The positions of Chairman and CEO are held by different individuals.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>HPMT does not have CEO, however, the positions of Chairman and Executive Director are held by different individuals. The Chairman is responsible for ensuring the integrity and effectiveness of the governance process of the Board, while the Executive Director is responsible for making and implementing operational and corporate decision as well as developing, coordinating and implementing business and corporate strategies.</p> <p>The distinct and separate roles of the Chairman and Executive Director, with a clear division of responsibilities, ensure a balance of power and authority, such that no one individual has unfettered powers of decision-making.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.4

The Chairman of the board should not be a member of the Audit Committee, Nomination Committee or Remuneration Committee

<i>Note: If the board Chairman is not a member of any of these specified committees, but the board allows the Chairman to participate in any or all of these committees' meetings, by way of invitation, then the status of this practice should be a 'Departure'.</i>		
<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The Chairman of the Company, Dato' Khoo Ah Chye is not a member of any Board Committees.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.5

The board is supported by a suitably qualified and competent Company Secretary to provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of corporate governance best practices.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board is supported by a qualified and competent Company Secretary who is responsible to advise and regularly update the Board on good governance, board policies and procedures, administrative matters and corporate compliances.</p> <p>All Directors have full and unrestricted access to the advice and services of the Company Secretary, whose appointment and removal is a matter of the Board as a whole.</p> <p>Ms. Wong Youn Kim is a Chartered Secretary and a Fellow member of the Malaysian Institute of Chartered Secretaries And Administrators ("MAICSA"). The Company Secretary constantly keeps herself abreast of the evolving capital market environment, regulatory changes and developments in Corporate Governance through attending relevant courses organised by regulators, professional bodies and recognised training providers and organisations.</p> <p>The Company Secretary also serves notice to the Directors and Principal Officers to notify them of closed periods for trading in the Company's shares, in accordance with Chapter 14 of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"). Deliberations during the Board and Board Committees' meetings were properly minuted and documented by the Company Secretary.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.6

Directors receive meeting materials, which are complete and accurate within a reasonable period prior to the meeting. Upon conclusion of the meeting, the minutes are circulated in a timely manner.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>To facilitate the Directors' time planning, the annual meeting calendar is prepared and tabled to the Board in advance of each new year. The calendar provides Directors with scheduled dates for meetings of the Board and Board Committees as well as Annual General Meeting.</p> <p>Prior to each meeting, a reasonable notice of meetings and agenda are circulated to all Directors together with the draft minutes of the previous meeting, the relevant reports/papers and other board meeting reference materials such as management reports and financial reports at least seven (7) days prior to the Board meeting via e-mail so that each Director had ample time to review the papers to enable informed decision making.</p> <p>The deliberations and decisions at the Board and Board Committees meetings are well documented in the minutes.</p> <p>The Company Secretary ensures that the minutes of meetings as seen and commented by the Chairman are disseminated to the senior management in a timely manner so that necessary actions can be taken.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	



**Intended Outcome**

There is demarcation of responsibilities between the board, board committees and management.

There is clarity in the authority of the board, its committees and individual directors.

**Practice 2.1**

The board has a board charter which is periodically reviewed and published on the company's website. The board charter clearly identifies–

- the respective roles and responsibilities of the board, board committees, individual directors and management; and
- issues and decisions reserved for the board.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>In performing its duties, the Board is guided by the Board Charter that sets out amongst others its roles, composition, responsibilities, powers, board committees and board meeting procedures. The key elements of governance principles embedded in the Board Charter regulate the Board's conducts and guide the business strategic initiative of the Group.</p> <p>The Board would regularly review the Board Charter and the Terms of Reference of the Board Committees and updated in accordance with the needs of the Group and any new regulations that may have an impact on the discharge of the Board's responsibilities.</p> <p>The Board has reviewed its Board Charter and revised its Terms of Reference of Audit and Risk Management Committee ("ARMC") on 21 November 2023. The revised Terms of Reference of ARMC is available on the Company's website at <a href="http://www.hpmt-industries.com">www.hpmt-industries.com</a>.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

**Practice 3.1**

The board establishes a Code of Conduct and Ethics for the company, and together with management implements its policies and procedures, which include managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering.

The Code of Conduct and Ethics is published on the company's website.

Application	:	Applied	
Explanation on application of the practice	:	<p>The Group has adopted the Code of Ethics for Directors, Officers and Employees (“the Code”) and is available on the Company’s website at <a href="http://www.hpmt-industries.com">www.hpmt-industries.com</a>.</p> <p>The Board is mindful of its leadership in business ethics practices as one of the key elements of business sustainability.</p> <p>The Board reviewed the Code as and when necessary to ensure it remains relevant and appropriate.</p>	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

### Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

### Practice 3.2

The board establishes, reviews and together with management implements policies and procedures on whistleblowing.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board had established an Anti-Fraud and Whistleblowing Policy which plays an important part in maintaining the highest level of corporate ethics within the Group, and have a professional responsibility to disclose any known malpractices or wrongdoings.</p> <p>The Anti-Fraud and Whistleblowing Policy provides an avenue for all employees and members of the public to disclose any improper conduct or any action that is or could be harmful to the reputation of the Group and/or compromise the interest of stakeholders.</p> <p>The aim of this policy are as follows: -</p> <ul style="list-style-type: none"> <li>• To ensure HPMT's business is conducted in compliance with the law.</li> <li>• To promote and cultivate an environment of honesty and integrity.</li> <li>• To enhance the employees' awareness of the Company's stand on illegal, unethical and dishonest acts and the consequences of such acts.</li> <li>• To create employees' awareness of their roles, rights and responsibilities pertaining to illegal, unethical and dishonest acts.</li> </ul> <p>The structure adopted by the Group establishes a clear line of communication and reporting of concerns for employees at all levels and provides alternative lines of communication depending on the person(s) who is/are the subject of such concerns.</p> <p>The disclosure of information should initially and promptly be made by the Whistleblower to Ms. Patricia Chua who is the Audit and Risk Management Committee' Chairperson. The reports or disclosure under this Policy can be made through e-mail at <a href="mailto:patriciachua@hpmt-industries.com">patriciachua@hpmt-industries.com</a></p> <p>The Anti-Fraud and Whistleblowing Policy is regularly reviewed by the Board as and when required to ensure that it remains relevant and appropriate.</p> <p>The Anti-Fraud and Whistleblowing Policy is available on the Company's website at <a href="http://www.hpmt-industries.com">www.hpmt-industries.com</a>.</p>

<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

### Intended Outcome

The company addresses sustainability risks and opportunities in an integrated and strategic manner to support its long-term strategy and success.

### Practice 4.1

The board together with management takes responsibility for the governance of sustainability in the company including setting the company's sustainability strategies, priorities and targets.

The board takes into account sustainability considerations when exercising its duties including among others the development and implementation of company strategies, business plans, major plans of action and risk management.

Strategic management of material sustainability matters should be driven by senior management.

Application	:	Applied	
Explanation on application of the practice	:	<p>The Board is responsible to oversight the Group’s sustainability agenda, practices, strategies and performance supported by the Management. The Management is tasked to integrate sustainability considerations in the day-to-day operations of the Group and ensuring the effective implementation of the Group’s sustainability strategies and plans.</p> <p>The Terms of Reference of the Audit and Risk Management Committee (“<b>ARMC</b>”) has been revised to provide explicitly ARMC’s responsibilities to renew the Group’s sustainability policies, goals and risks periodically.</p> <p>The Managing Director has presented to the Board on the executive summary in regard to the lowlights, achievements and challenges faced by the Group for year 2023.</p> <p>The Sustainability Report of the Group which provides an overview of the sustainability performance for the financial year ended 31 December 2023, is set out on pages 16 to 37 of the Annual Report 2023.</p>	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

### Intended Outcome

The company addresses sustainability risks and opportunities in an integrated and strategic manner to support its long-term strategy and success.

#### Practice 4.2

The board ensures that the company's sustainability strategies, priorities and targets as well as performance against these targets are communicated to its internal and external stakeholders.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Company believes in transparency and open lines of communication with all the stakeholders. Transparency and communication are fundamental components of good corporate governance and serve to build vital relationships of trust the Company maintain with its stakeholders.</p> <p>The Company engage its stakeholders through various means of communication to enable them to better understand the Group's business operation and seek their feedbacks and input on several matters relevant to them. The Group identified them through issues which are material based on their impact to the Group's operation and the number of stakeholders affected.</p> <p>The Company strives to maintain an open and two-way communication with its employees to discuss, among others, the Company's performance and growth strategies. The Executive Director has presented to the shareholders on the Group's overview, business model, strategy plans and financial review during the Annual General Meeting.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

The company addresses sustainability risks and opportunities in an integrated and strategic manner to support its long-term strategy and success.

**Practice 4.3**

The board takes appropriate action to ensure they stay abreast with and understand the sustainability issues relevant to the company and its business, including climate-related risks and opportunities.

Application	:	Applied	
Explanation on application of the practice	:	The Board took note the importance of the sustainable development. The Company had formed a Sustainability Committee to address the sustainability issues relevant to the Group and its business in order to achieve sustainable long-term value.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

### Intended Outcome

The company addresses sustainability risks and opportunities in an integrated and strategic manner to support its long-term strategy and success.

### Practice 4.4

Performance evaluations of the board and senior management include a review of the performance of the board and senior management in addressing the company's material sustainability risks and opportunities.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board of Directors and Board Committees' assessment and evaluation have been performed on yearly basis to assess the following areas: -</p> <ul style="list-style-type: none"> <li>• Board and Board Committee Evaluation;</li> <li>• Board Skills Matrix;</li> <li>• Directors' Evaluation; and</li> <li>• Independent Directors' Self-Assessment Checklist.</li> </ul> <p>Based on the assessment and evaluation performed by each individual Directors and Nomination and Remuneration Committee ("<b>NRC</b>"), it was concluded that: -</p> <p>(a) NRC was satisfied that the Directors had discharged their responsibilities in a commendable manner, acted competently, contributed effectively to the Board and demonstrated full commitment to their duties as Directors.</p> <p>(b) NRC was satisfied with the current structure, size and composition of the Board which comprises people who possess different expertise and experience in various fields and specialisations enable the Board to lead and manage the Company effectively.</p> <p>(c) NRC was satisfied with the performance and contribution of each individual Director and each Director is well qualified in his/her area of expertise and profession.</p> <p>(d) NRC was satisfied with the level of independence demonstrated by the Independent Non-Executive Directors and their ability to act independently and objectively in the best interest of the Company.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		



Measure	:		
Timeframe	:		

### Intended Outcome

The company addresses sustainability risks and opportunities in an integrated and strategic manner to support its long-term strategy and success.

### Practice 4.5- Step Up

The board identifies a designated person within management, to provide dedicated focus to manage sustainability strategically, including the integration of sustainability considerations in the operations of the company.

<i>Note: The explanation on adoption of this practice should include a brief description of the responsibilities of the designated person and actions or measures undertaken pursuant to the role in the financial year.</i>	
<b>Application</b>	: Adopted
<b>Explanation on adoption of the practice</b>	<p>As a responsible business entity, the Group has committed to develop sustainable strategies across all levels of management. In the effort to embed and achieve sustainable management and growth into the daily operations, the Group has established a governing body to oversee and implement sustainable programs.</p> <p>The Sustainability Committee was formed to drive and implement the sustainability strategy of an organisation, championing its goals and monitoring its efforts. The Sustainability Committee was chaired by the Managing Director, Mr. Khoo Seng Giap and assist by its committee members and sustainability working groups comprising of directors and senior representatives/Head of Departments (“HODs”).</p> <p>The roles and responsibilities of the Managing Director were as follows:</p> <ul style="list-style-type: none"> <li>-</li> <li>(a) Review and approve information and inputs from Sustainability Committee;</li> <li>(b) Develop and improve sustainability strategies; and</li> <li>(c) Monitor sustainability initiatives performance.</li> </ul> <p>The Sustainability Committee play their roles as follows: -</p> <ul style="list-style-type: none"> <li>(a) Coordinate and review information collected for sustainability reporting;</li> <li>(b) Develop and improve sustainability practices and initiatives in line with Group sustainability strategies;</li> <li>(c) Implement sustainability practices approved by Managing Director; and</li> <li>(d) Identify Economic, Environmental and Social risks by their respective departments.</li> </ul> <p>The Sustainability Working Groups also play their roles as follows: -</p> <ul style="list-style-type: none"> <li>(a) Supported by HODs from various departments;</li> <li>(b) Gathering and compiling sustainability information and data for the identified sustainability indicators for reporting; and</li> <li>(c) Implementation of sustainability initiatives.</li> </ul>

### Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

### Practice 5.1

The Nomination Committee should ensure that the composition of the board is refreshed periodically. The tenure of each director should be reviewed by the Nomination Committee and annual re-election of a director should be contingent on satisfactory evaluation of the director's performance and contribution to the board.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Nomination and Remuneration Committee ("<b>NRC</b>") was formed to assist the Board on 22 June 2018. The NRC had performed Board assessment on annual basis to ensure that the right group of people with appropriate mix of skill was appointed.</p> <p>In this respect, the Board has on 27 May 2022 adopted a Directors' Fit and Proper Policy to serve as a guide for NRC and the Board in their review and assessment of candidates that are to be appointed onto the Board as well as Directors who are seeking re-election.</p> <p>The NRC also conducted an assessment of Directors who are seeking for re-election at the forthcoming 7th Annual General Meeting ("<b>AGM</b>") and concluded that Mr. Oei Kok Eong and Ms. Chua Put Moy are eligible for re-election. The Board had approved and proposed the re-election of Mr. Oei Kok Eong and Ms. Chua Put Moy at the coming AGM.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 5.2**

At least half of the board comprises independent directors. For Large Companies, the board comprises a majority independent directors.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Board currently consists of six (6) members, comprising one (1) Non-Independent Non-Executive Chairman, one (1) Managing Director, one (1) Executive Director/ Chief Financial Officer and three (3) Independent Non-Executive Directors (“INEDs”), which is in compliance with Paragraph 15.02(1) of the MMLR of Bursa Securities.</p> <p>All the three (3) INEDs fulfilled the criteria of “Independence” as prescribed under the MMLR of Bursa Securities.</p> <p>The Nomination and Remuneration Committee (“NRC”) reviews the independence of the Directors annually according to the criteria on independence set out in the MMLR of Bursa Securities and Practice Notes of MMLR. In addition to the annual review by the NRC of the Directors’ independence, each INED also submits an annual declaration regarding his/her independence.</p>	
<b>Explanation for departure</b>	:		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 5.3**

The tenure of an independent director does not exceed a cumulative term limit of nine years. Upon completion of the nine years, an independent director may continue to serve on the board as a non-independent director.

If the board intends to retain an independent director beyond nine years, it should provide justification and seek annual shareholders' approval through a two-tier voting process.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The tenure of an Independent Non-Executive Director (" <b>INED</b> ") shall not exceed a cumulative term of 9 years. Upon completion of the 9 years, an INED may continue to serve on the board as Non-Independent Non-Executive Director. If the Board intends to retain an INED beyond 9 years, it will provide justification and seek annual shareholders' approval through a two-tier voting process. As at the date of this report, none of the current INEDs has served more than 9 years.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 5.4 - Step Up**

The board has a policy which limits the tenure of its independent directors to nine years without further extension.

<i>Note: To qualify for adoption of this Step Up practice, a listed issuer must have a formal policy which limits the tenure of an independent director to nine years without further extension i.e. shareholders' approval to retain the director as an independent director beyond nine years.</i>	
<b>Application</b>	: Not Adopted
<b>Explanation on adoption of the practice</b>	:

### Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

### Practice 5.5

Appointment of board and senior management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.

Directors appointed should be able to devote the required time to serve the board effectively. The board should consider the existing board positions held by a director, including on boards of non-listed companies. Any appointment that may cast doubt on the integrity and governance of the company should be avoided.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board will ensure that each of its Directors, Managing Director, Executive Director or Chief Financial Officer has the character, experience, integrity, competence and time to effectively discharge his/her role as the case may be, of the Company.</p> <p>The Board Charter clearly outlines that all nominations of candidates for the positions of Directors and Managing Director must be submitted to the Nomination and Remuneration Committee (“<b>NRC</b>”) for consideration. The NRC shall base on its recommendation on the guidelines as detailed hereunder before recommending the candidates to the Board for approval:</p> <ul style="list-style-type: none"> <li>(a) Age limit</li> <li>(b) In accordance with the Listing Requirement, Companies Act 2016 and any other regulatory compliance</li> <li>(c) Work experience</li> <li>(d) Qualifications</li> <li>(e) Personal background</li> <li>(f) Competencies</li> <li>(g) Directorships</li> </ul> <p>The Directors’ Fit and Proper Policy adopted on 27 May 2022 by the Board will serve as a guide for the NRC and the Board in their review and assessment of candidates that are to be appointed onto the Board as well as Directors who are seeking for re-election.</p> <p>The Group adopts gender diversity through its Board, Management and staff composition. The Board welcomes suitably and qualified female Directors to come on the Board subject to the evaluation and assessment by the NRC following the criteria set by the Code and the MMLR.</p> <p>For more detailed description of the diverse background and experience of the Board members, kindly refer to the Directors’ Profile of the Annual Report.</p>

<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		



### Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

### Practice 5.6

In identifying candidates for appointment of directors, the board does not solely rely on recommendations from existing board members, management or major shareholders. The board utilises independent sources to identify suitably qualified candidates.

If the selection of candidates was based on recommendations made by existing directors, management or major shareholders, the Nominating Committee should explain why these source(s) suffice and other sources were not used.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>All the appointments of new Directors are subject to screening and appropriate recommendation by the Nomination and Remuneration Committee ("<b>NRC</b>") prior to consideration and approval by the Board.</p> <p>In considering potential candidates for appointment, the NRC will ensure candidates possess the appropriate skills, core competencies, experience and integrity to effectively discharge his or her role as a director. Potential candidates may be proposed by any current Board member, shareholder or senior management personnel as well as network of industry contacts including independent sources, when required.</p> <p>To ensure that Directors have sufficient time to fulfil their roles and responsibilities effectively, the criterion as agreed by the Board for determining candidates for the pool of potential Directors is that they must not hold directorships of more than five (5) public listed companies (as prescribed in Paragraph 15.06 of the MMLR of Bursa Securities).</p> <p>The proposed candidate will also be required to confirm that he/she meets the criteria for an independent director as prescribed in the MMLR of Bursa Securities and its Practice Note 13 prior to recommending to the Board for approval of his/her proposed appointment as an Independent Non-Executive Director.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		

<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

### Practice 5.7

The board should ensure shareholders have the information they require to make an informed decision on the appointment and reappointment of a director. This includes details of any interest, position or relationship that might influence, or reasonably be perceived to influence, in a material respect their capacity to bring an independent judgement to bear on issues before the board and to act in the best interests of the listed company as a whole. The board should also provide a statement as to whether it supports the appointment or reappointment of the candidate and the reasons why.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The details of the Directors seeking re-election at the Annual General Meeting (“AGM”) including their qualification, working experience, directorship in other public listed company, relationship with any director or major shareholder and conflict of interests with the Company are set out in the Profile of Directors section as disclosed in the Annual Report.</p> <p>The details of the interest of the Directors in the securities of the Company and attendance at Board of Directors’ Meetings held during the financial year ended 31 December 2023 are also disclosed in the Annual Report.</p> <p>Based on the assessment of the Nomination and Remuneration Committee that Mr. Oei Kok Eong and Ms. Chua Put Moy are eligible for re-appointment, the Board had approved and resolved the re-appointment of Mr. Oei Kok Eong and Ms. Chua Put Moy as Directors at coming 7th AGM.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 5.8**

The Nominating Committee is chaired by an Independent Director or the Senior Independent Director.

Application	:	Applied	
Explanation on application of the practice	:	The Nomination and Remuneration Committee comprise solely of three (3) Independent Non-Executive Directors.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

**Intended Outcome**

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 5.9**

The board comprises at least 30% women directors.

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The Board currently has one (1) woman Director on Board, which represents 16.7% of the total number of board members.</p> <p>At present, the Company complies with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad which is required to have at least one (1) woman Director on the Board.</p> <p>The Board is mindful that any gender representation should be in the best interest of the Company. Although the Company has not reached the 30% woman representation target at Board level as required, the Board is putting its effort in getting other suitable women who could meet the objective criteria, merit and with due regard for diversity in skills, experience, age to join the Board.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	Choose an item.

**Intended Outcome**

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 5.10**

The board discloses in its annual report the company's policy on gender diversity for the board and senior management.

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	The Company does not have a formalised Board gender diversity policy alongside targets and measures. However, the issue of diversity is discussed and given prominence during deliberations by the Nomination and Remuneration Committee and the Board.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:	Choose an item.	

### Intended Outcome

Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors.

### Practice 6.1

The board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its committees and each individual director. The board should disclose how the assessment was carried out its outcome, actions taken and how it has or will influence board composition.

For Large Companies, the board engages an independent expert at least every three years, to facilitate objective and candid board evaluation.

<i>Note: For a Large Company to qualify for adoption of this practice, it must undertake annual board evaluation and engage an independent expert at least every three years to facilitate the evaluation.</i>	
<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	: <p>The Nomination and Remuneration Committee annually performs an assessment of the effectiveness and performance of the Board, Board Committees and individual Directors, in order to verify that the Board is functioning appropriately as a whole. Each Director had completed a detailed questionnaires in the Directors' Performance Evaluation which covered matters relevant to the Board performance, amongst others, contribution to interaction, quality of input, understanding of role and personal developments. An evaluation of each Board Committee was done by assessing the structure, roles and responsibilities, performance of the respective Chairman, as well as Committee's performance against its Terms of Reference. The assessment was internally facilitated, whereby results of the assessments had been compiled, documented and reported to the Board accordingly, as part of the Company's ongoing corporate governance practices.</p> <p>Based on the results of the assessment for the financial year ended 31 December 2023 it was concluded that the composition of the Board and its Committees corresponding to its oversight duties and the developments of the Company. Overall, the Board was satisfied with the performance of individual Director, Board and Board Committees for the financial year under review, including the character, experience, integrity, competencies and time commitment to effectively discharge their roles as Director of the Company.</p>
<b>Explanation for departure</b>	: <div></div> <div></div>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	

<b>Measure</b>	:		
<b>Timeframe</b>	:		



### Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

### Practice 7.1

The board has remuneration policies and procedures to determine the remuneration of directors and senior management, which takes into account the demands, complexities and performance of the company as well as skills and experience required. The remuneration policies and practices should appropriately reflect the different roles and responsibilities of non-executive directors, executive directors and senior management. The policies and procedures are periodically reviewed and made available on the company's website.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has put in place a formal Remuneration Policy for Directors and Senior Management to determine the remuneration of Directors and Senior Management to ensure that the Company/Group rewards fairly and responsibly individual performance with a clear link to corporate performance. The Remuneration Policy is made available on Company's website at <a href="http://www.hpmt-industries.com">www.hpmt-industries.com</a>.</p> <p>The Nomination and Remuneration Committee ("NRC") reviews and recommends to the Board the remuneration package of the Executive Directors annually. Each individual Director concerned abstained from discussion on their own remuneration/fees.</p> <p>The remuneration/fees of the Non-Executive Directors were determined by the Board are set at a level that is market aligned and reflects the qualifications and competencies required in view of the Group's size and complexity, the responsibilities and the time the Board members are expected to allocate to discharge their obligations as Board members.</p> <p>The NRC endeavours to ensure that the remuneration package offered is competitive to attract, retain and motivate senior management of high calibre who will strive to achieve the Group's objectives.</p> <p>The payment of Directors' fees and benefits will be subject to the shareholders' approval at the forthcoming Annual General Meeting.</p>
<b>Explanation for departure</b>	:	

<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

### Practice 7.2

The board has a Remuneration Committee to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of board and senior management.

The Committee has written Terms of Reference which deals with its authority and duties and these Terms are disclosed on the company's website.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Nomination and Remuneration Committee ("NRC") is responsible for evaluating, deliberating and recommending to the Board the compensation and benefits that are fairly guided by market norms and industry practices for the business the company is in.</p> <p>The NRC is also responsible for evaluating the Executive Directors' remuneration which is linked to the performance of the Executive Directors and performance of the Group. Individual Director does not participate in the decisions regarding his individual remuneration.</p> <p>Full details of the functions and duties of the NRC are stated in its Terms of Reference.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

**Practice 8.1**

There is detailed disclosure on named basis for the remuneration of individual directors. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	In line with the best corporate governance practice, the detailed disclosure on named basis for the Directors' remuneration of individual directors comprising remuneration received / receivable from the Company and subsidiaries respectively for the financial year ended 31 December 2023 is shown in the table below.

No	Name	Directorate	Company ('000)							Group ('000)						
			Fee	Allowance	Salary	Bonus	Benefits-in-kind	Other emoluments	Total	Fee	Allowance	Salary	Bonus	Benefits-in-kind	Other emoluments	Total
1	Mr. Khoo Seng Giap	Executive Director	-	-	-	-	-	-	-	36,000	84,000	552,624	84,550	3,520	-	760,694
2	Mr. Tan Kim Chuan	Executive Director	-	-	-	-	-	-	-	36,000	-	405,120	67,300	17,400	-	525,820
3	Dato' Khoo Ah Chye	Non-Executive Non-Independent Director	60,000	3,000	-	-	-	-	63,000	60,000	3,000	-	-	-	-	63,000
4	Ms. Chua Put Moy	Independent Director	65,500	3,000	-	-	-	-	68,500	65,500	3,000	-	-	-	-	68,500
5	Mr. Oei Kok Eong	Independent Director	67,000	3,000	-	-	-	-	70,000	67,000	3,000	-	-	-	-	70,000
6	Mr. Tan Tai Beng	Independent Director	62,000	3,000	-	-	-	-	65,000	62,000	3,000	-	-	-	-	65,000
7	Mr. Peter Ho Kok Wai (Resigned on 30 June 2023)	Independent Director	33,500	2,000	-	-	-	-	35,500	33,500	2,000	-	-	-	-	35,500
8		Choose an item.														
9		Choose an item.														
10		Choose an item.														
11		Choose an item.														
12		Choose an item.														
13		Choose an item.														
14		Choose an item.														

**Intended Outcome**

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

**Practice 8.2**

The board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	The details of Senior Management's remuneration are disclosed in bands width of RM50,000 on position basis, as the Board considers the information of the said remuneration to be sensitive and proprietary in view of the competitive nature of the human resource market and to support the Company's efforts in retaining executive talents. The Board is of the view that the transparency and accountability aspects of corporate governance as applicable to Senior Management's remuneration are appropriately served by the disclosures on an aggregate basis.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	Choose an item.

No	Name	Position	Company					
			Salary	Allowance	Bonus	Benefits	Other emoluments	Total
1	Input info here	Input info here	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.
2	Input info here	Input info here	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.
3	Input info here	Input info here	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.
4	Input info here	Input info here	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.
5	Input info here	Input info here	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.

**Intended Outcome**

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company’s performance.

**Practice 8.3 - Step Up**

Companies are encouraged to fully disclose the detailed remuneration of each member of senior management on a named basis.

<b>Application</b>	:	Not Adopted
<b>Explanation on adoption of the practice</b>	:	



No	Name	Position	Company ('000)					
			Salary	Allowance	Bonus	Benefits	Other emoluments	Total
1	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
2	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
3	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
4	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
5	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here

**Intended Outcome**

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations.  
The company's financial statement is a reliable source of information.

**Practice 9.1**

The Chairman of the Audit Committee is not the Chairman of the board.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Audit and Risk Management Committee (" <b>ARMC</b> ") is chaired by an Independent Non-Executive Director, Ms. Chua Put Moy, who is not the Chairperson of the Board. Meanwhile the Chairman of the Board is Dato' Khoo Ah Chye. Details of the composition of the ARMC is set out in the Annual Report 2023.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations.  
The company's financial statement is a reliable source of information.

**Practice 9.2**

The Audit Committee has a policy that requires a former partner of the external audit firm of the listed company to observe a cooling-off period of at least three years before being appointed as a member of the Audit Committee.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>As a measure to safeguard the independence and objectivity of the audit process, the Audit and Risk Management Committee ("ARMC") has incorporated a policy specification that governs the appointment of a former key audit partner to the ARMC.</p> <p>The policy, which is codified in the ARMC's Terms of Reference, requires a former key audit partner to observe a cooling-off period of at least three (3) years before he/she can be considered for appointment as a Committee member.</p> <p>To-date, the Company has not appointed a former audit partner to be a member of the ARMC.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations.  
The company's financial statement is a reliable source of information.

**Practice 9.3**

The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor to safeguard the quality and reliability of audited financial statements.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Audit and Risk Management Committee ("<b>ARMC</b>") is responsible for assessing the capabilities and independence of the external auditors and to make subsequent recommendations to the Board on the appointment, reappointment or termination of the external auditors.</p> <p>In the third quarter of 2023, the external auditors, Messrs. Baker Tilly Monteiro Heng PLT ("<b>BTMH</b>") presented for the ARMC's review its 2023 Audit Plan which outlined its engagement team, audit timeline, the areas of audit emphasis, and their focus on key audit matters. This formed part of the ARMC's assessment of the suitability, objectivity and independence of BTMH on an annual basis. The objective of the said review is to assess the quality of the audit firm's performance and if satisfied, to recommend for reappointment.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations.  
The company's financial statement is a reliable source of information.

**Practice 9.4 - Step Up**

The Audit Committee should comprise solely of Independent Directors.

<b>Application</b>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	<p>The Audit and Risk Management Committee ("<b>ARMC</b>") comprise solely of three (3) Independent Non-Executive Directors, which meets the requirements of Paragraphs 15.09(1)(a) and (b) of Main Market Listing Requirements of Bursa Malaysia Securities Berhad.</p> <p>Currently, the ARMC is led by an Independent Non-Executive Director, Ms. Chua Put Moy.</p>

**Intended Outcome**

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations.  
The company's financial statement is a reliable source of information.

**Practice 9.5**

Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate, competent and are able to understand matters under the purview of the Audit Committee including the financial reporting process.

All members of the Audit Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Audit and Risk Management Committee ("<b>ARMC</b>") are encouraged to participate in relevant training programmes for continuous professional development and to further enhance their skills and knowledge. The Directors are aware that they shall receive appropriate training which may be required from time to time to keep them abreast with the current developments in the industry as well as new statutory and regulatory developments including changes in accounting standards.</p> <p>All the members of the ARMC are financially literate and ARMC Chairperson, Ms. Chua Put Moy, is a member of the Malaysian Institute of Accountants and member of the Institute of Chartered Accountants in England and Wales, which fulfilled the financial expertise required by Main Market Listing Requirements.</p> <p>During the ARMC Meetings, the members were briefed by the external auditor, Messrs. Baker Tilly Monteiro Heng PLT on the following key areas: -</p> <ul style="list-style-type: none"> <li>• Financial Reporting developments;</li> <li>• Adoption of Malaysian Financial Reporting Standards; and</li> <li>• Other changes in regulatory environment.</li> </ul>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

Measure	:		
Timeframe	:		

**Intended Outcome**

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

**Practice 10.1**

The board should establish an effective risk management and internal control framework.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board is committed to establishing and maintaining a sound, effective and efficient system of risk management and internal control to safeguard shareholders' investment and the Group's assets. There is an on-going review process undertaken by the Board to ensure adequacy and integrity of the system mentioned.</p> <p>The system of risk management and internal control is designed to identify and manage the Group's risk within the acceptable risk tolerance, rather than to eliminate the risk of failure in achieving the Group's corporate objective in accordance with the Group's strategy.</p> <p>The Board regards risk management as an integral part of all business operations. Hence, the Board explicitly assumes the responsibility of identifying principal risks and ensures the implementation of a dynamic system to manage risk exposure within the acceptable level of tolerance.</p> <p>An Enterprise Risk Management Framework was established to provide the overall guideline and approach to the Group's risk management.</p> <p>The Company has appointed PKF Risk Management Sdn Bhd to enhance the Enterprise Risk Management Framework of the Company and its key subsidiary and to facilitate systematic application of Enterprise Risk Management practices and continuous reporting of risk management activities.</p> <p>The Statement on Risk Management and Internal Control of the Group which provides an overview of the state of internal control within the Group, is set out on pages 49 to 52 of the Annual Report 2023.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		



<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

### Practice 10.2

The board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board acknowledges its overall responsibility to maintain an effective governance, risk management and compliance framework. Supported by the Management and internal audit function, the Board ensures the adequacy and effectiveness of the Group's risk management and internal control practices. The Board is responsible to ensure that the Group complies with all applicable provisions of law and regulations and ensures that appropriate risk management systems are in place throughout the Group.</p> <p>The Group relies on the Enterprise Risk Management framework to systematically identify, assess, mitigate and monitor existing and potential risks that are critical to its strategic targets and business plans. The framework encompasses all key areas such as financial, operational and environmental controls, Information Systems, as well as compliance with relevant laws, regulations, rules and guidelines.</p> <p>The Audit and Risk Management Committee ("<b>ARMC</b>") assists the Board to oversee and review the effectiveness of the Group's risk management and internal control systems. To facilitate effective monitoring, the Board regularly receives reports from the Management on any business risks related to its business activities that have impacted or likely to impact the Company from achieving its objectives and strategies.</p> <p>The Group's system of internal controls is regularly reviewed for its effectiveness in managing key risks. The internal audit function focuses on areas of priority as determined by the risk assessment of the auditable areas. Where significant weaknesses have been identified, improvement measures are recommended to strengthen controls.</p> <p>The internal audit reports are tabled at ARMC meetings every quarter for review.</p> <p>The ARMC had also assessed the risk impact and likelihood of those key risks and determined the risk ratings accordingly for continuous risk mitigation actions. The ARMC regularly monitors the key risks facing the</p>

	business in order to stay current on governance practices relating to the risk.	
	The Statement on Risk Management and Internal Control of the Group is set out on pages 49 to 52 of the Annual Report 2023.	
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company’s objectives is mitigated and managed.

**Practice 10.3 - Step Up**

The board establishes a Risk Management Committee, which comprises a majority of independent directors, to oversee the company’s risk management framework and policies.

<b>Application</b>	:	Not Adopted
<b>Explanation on adoption of the practice</b>	:	

**Intended Outcome**

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

**Practice 11.1**

The Audit Committee should ensure that the internal audit function is effective and able to function independently.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Group's internal audit function is carried out by an outsourced internal audit firm which is independent of the activities the Internal Auditors audit. The Audit and Risk Management Committee ("ARMC") was satisfied with the quality of audit review through the financial year.</p> <p>In performing its duties, the Internal Auditors has free and unfettered access to information and to meet with any of the department heads or persons-in-charge. The identified audit issues are followed up by the Internal Auditors and the status is reported to the ARMC.</p> <p>During the financial year under review, the Internal Auditors carried out periodic internal audit reviews in accordance with the approved internal audit plan to monitor compliance with the Group's procedures and to review the adequacy and effectiveness of the Group's system of risk management and internal control.</p> <p>The results of these reviews have been presented to the ARMC at their scheduled meetings. Follow up reviews were also conducted to ensure that the recommendations for improvement have been implemented by Management on a timely basis.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

### Practice 11.2

The board should disclose—

- whether internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence;
- the number of resources in the internal audit department;
- name and qualification of the person responsible for internal audit; and
- whether the internal audit function is carried out in accordance with a recognised framework.

Application	:	Applied	
Explanation on application of the practice	:	The Group’s internal audit function is carried out by an outsourced internal audit firm, who is independent of the activities the Internal Auditors audit.	
		The Head of the Internal Auditors, Dr. Wong Ka Fee is competent to conduct the internal audit activities according to the standards and code of ethics set by the Institute of Internal Auditors Malaysia. For financial year 2023, the number of internal audit personnel was nine (9) comprising degree holders and professionals from related disciplines.	
		The Internal auditors are free from any relationships or conflicts of interest, which could impair their objective and independence.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

**Intended Outcome**

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

**Practice 12.1**

The board ensures there is effective, transparent and regular communication with its stakeholders.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board is mindful of the importance of maintaining proper corporate disclosure procedures with the aim of providing shareholders and investors with comprehensive, accurate and quality information on a timely basis.</p> <p>The Company's website at <a href="https://www.hpmt-industries.com/investor-relations/">https://www.hpmt-industries.com/investor-relations/</a> under the Investor Relations section, provides information on all announcements made to Bursa Malaysia Securities Berhad, share price performance, annual report, corporate and governance information of the Company and it is accessible to the public.</p> <p>The Company's website also provides Investor Relations contact for shareholders to direct their queries or concerns to.</p> <p>Besides the above, the Annual Report remains as a vital and convenient source of essential information for investors, shareholders and other stakeholders. The Management constantly improves the contents of the Annual Report to incorporate developments amongst others, in corporate governance and reports of Board Committees.</p> <p>Another key avenue of communication with its shareholders is the Company's Annual General Meeting, which serves as the principal forum for dialogue with shareholders where they may raise questions or seek clarifications on the Company's businesses and reports from the Directors.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	

<b>Timeframe</b>	:		
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**Intended Outcome**

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

**Practice 12.2**

Large companies are encouraged to adopt integrated reporting based on a globally recognised framework.

<b>Application</b>	:	Not applicable – Not a Large Company	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

**Practice 13.1**

Notice for an Annual General Meeting should be given to the shareholders at least 28 days prior to the meeting.

Application	:	Applied	
Explanation on application of the practice	:	The Notice of Annual General Meeting (“AGM”) and other relevant AGM documents are issued to the shareholders at least 28 days’ notice prior to the date of the AGM. In addition to sending the notice, the Company also published the Notice of AGM on its website and released via Bursa LINK.	
		The Notice of AGM provides detailed explanation for resolutions proposed along with any background information and reports or recommendations that are relevant, where required and necessary, to enable shareholders to make informed decisions regarding the AGM business agenda of the Company.	
		The Notice of AGM which sets out the businesses to be transacted at the AGM, was also published in a major local newspaper.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

**Intended Outcome**

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

**Practice 13.2**

All directors attend General Meetings. The Chair of the Audit, Nominating, Risk Management and other committees provide meaningful response to questions addressed to them.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>All Directors including the Chair of all the respective Board Committees had attended the last Annual General Meeting (“<b>AGM</b>”) to engage directly with shareholders and be accountable for their stewardship of the Company.</p> <p>In addition to the Directors and External Auditors were also in attendance to answer to the shareholders’ questions.</p> <p>The minutes of the AGM is made available to the shareholders and the public for viewing at the Company’s website, <a href="https://www.hpmt-industries.com/investor-relations/">https://www.hpmt-industries.com/investor-relations/</a> under the Investor Relations section.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

**Practice 13.3**

Listed companies should leverage technology to facilitate—

- voting including voting in absentia; and
- remote shareholders' participation at general meetings.

Listed companies should also take the necessary steps to ensure good cyber hygiene practices are in place including data privacy and security to prevent cyber threats.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Company’s 6th Annual General Meeting (“<b>AGM</b>”) for the financial year ended 31 December 2022 has been conducted fully virtual.</p> <p>The AGM was conducted through live streaming and online poll voting whereby shareholders and proxies can access and participate remotely.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

### Practice 13.4

The Chairman of the board should ensure that general meetings support meaningful engagement between the board, senior management and shareholders. The engagement should be interactive and include robust discussion on among others the company's financial and non-financial performance as well as the company's long-term strategies. Shareholders should also be provided with sufficient opportunity to pose questions during the general meeting and all the questions should receive a meaningful response.

<i>Note: The explanation of adoption of this practice should include a discussion on measures undertaken to ensure the general meeting is interactive, shareholders are provided with sufficient opportunity to pose questions and the questions are responded to.</i>		
<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>Shareholders are encouraged to participate and vote remotely during the Company's Annual General Meeting ("AGM") using the Virtual Meeting Facilities. A registration link was provided to the shareholders in the Administrative Guide, which is released together with the Notice of AGM and made available on the Company's website and Bursa Malaysia's website.</p> <p>Prior to the AGM, the shareholders are allowed to submit any questions online by scanning the QR Code or click onto the link provided in the Administrative Guide. During the AGM, the shareholders are encouraged to submit typed questions in real time within the Q&amp;A Box at the bottom of the messaging screen. Any questions can be submitted at any time until the announcement of the closure of Q&amp;A session.</p> <p>The Directors and Management have answered all the questions submitted prior or during the meeting during the Q&amp;A session.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

### Practice 13.5

The board must ensure that the conduct of a virtual general meeting (fully virtual or hybrid) support meaningful engagement between the board, senior management and shareholders. This includes having in place the required infrastructure and tools to support among others, a smooth broadcast of the general meeting and interactive participation by shareholders. Questions posed by shareholders should be made visible to all meeting participants during the meeting itself.

*Note: The explanation of adoption of this practice should include a discussion on measures undertaken to ensure the general meeting is interactive, shareholders are provided with sufficient opportunity to pose questions and the questions are responded to. Further, a listed issuer should also provide brief reasons on the choice of the meeting platform.*

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>All Directors and Senior Management had attended the virtually Annual General Meeting (“<b>AGM</b>”) held on 7 June 2023 to engage directly with shareholders and be accountable for their stewardship of the Company.</p> <p>An Administrative Guide was released together with the Notice of AGM, whereby the shareholders are given an option to appoint proxy/proxies to participate and vote instead of shareholders themselves by submitting the Form of Proxy to the Registered Office of the Company not later than twenty-four (24 hours) before the time appointed for the taking of poll at the meeting or adjourned meeting.</p> <p>The Company has appointed Acclime Corporate Services Sdn Bhd (“<b>ACCLIME</b>”) as Poll Administrator to conduct the poll by way of online voting and to provide a virtual meeting facility for the Sixth AGM held on 7 June 2023. The Board was satisfied with the virtual meeting facilities provided by ACCLIME for the previous AGM held in year 2023, therefore the Board decided to engage the same service provider for AGM held in year 2024.</p> <p>Prior to the AGM, the shareholders are allowed to submit any questions online by scanning the QR Code or click onto the link provided in the Administrative Guide. During the AGM, the shareholders are encouraged to submit typed questions in real time via the Q&amp;A Box on the Virtual Meeting Facilities. Any questions can be submitted at any time until the announcement of the closure of Q&amp;A session. The Directors and Management will address the questions submitted prior during the meeting accordingly.</p>
<b>Explanation for departure</b>	:	

<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

**Practice 13.6**

Minutes of the general meeting should be circulated to shareholders no later than 30 business days after the general meeting.

<i>Note: The publication of Key Matters Discussed is not a substitute for the circulation of minutes of general meeting.</i>		
<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The minutes of Annual General Meeting (“AGM”) was uploaded on the Company’s website no later than 30 business days after the AGM.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	



## **SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA**

*Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.*

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